Technical
Safety Authority
of Saskatchewan

Annual Report

2016

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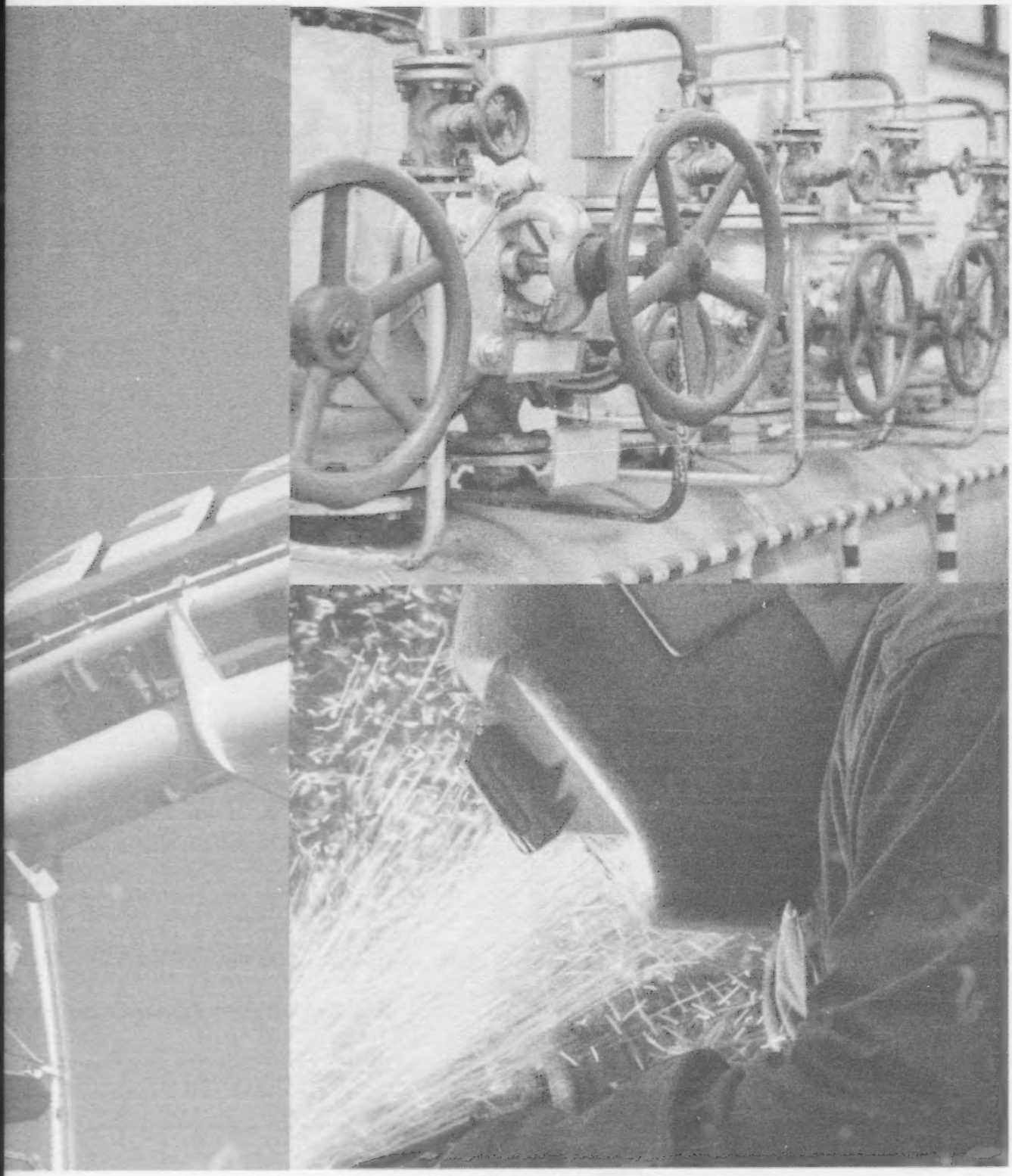


Organizational Overview

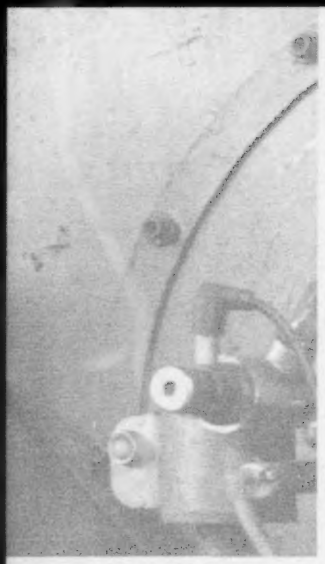
The Technical Safety Authority of Saskatchewan (TSASK) is a not-for-profit organization established July 1, 2010 through the *Technical Safety Authority of Saskatchewan Act*. TSASK was created from the Licensing and Inspections Branch of the Ministry of Corrections, Public Safety and Policing with a mandate of delivering safety programs related to pressure equipment, elevating devices and amusement rides in the province. TSASK's relationship with government now resides with the Ministry of Government Relations.

TSASK's registration, inspection, certification and licensing programs and services operate on a fee-for-service basis. These fees are charged to the sectors that design, manufacture, install, operate and own potentially hazardous equipment. TSASK administers and enforces the provisions of the following legislation and related regulations:

- *The Boiler and Pressure Vessel Act, 1999;*
- *The Passenger and Freight Elevator Act;*
- *The Amusement Ride Safety Act.*

TSASK operates at arms-length from the provincial government, under the terms of a Safety Standards Agreement. The Ministry of Government Relations continues to be responsible for the legislative and regulatory requirements governing the safe operation of boilers, pressure vessels, elevators and amusement rides.

The Government of Saskatchewan also continues to be responsible for establishing safety standards, policies, legislative and regulatory requirements related to public safety.



Corporate Mandate

The Technical Safety Authority of Saskatchewan is responsible for the administration and enforcement of legislation and regulations on behalf of government.

Our professional team provides a full range of programs and services including:

- licensing and permitting;
- assessing regulated equipment design;
- overseeing the fabrication and installation of regulated equipment;
- assessing and certifying knowledge and quality practices within registered organizations;
- testing, certifying and licensing of industry personnel;
- inspecting regulated equipment;
- educating and informing industry;
- contributing to the advancement of safety standards;
- enforcing standards and legislation;
- investigating reported accidents.

These services are provided to individuals and organizations that design, manufacture, install, operate or own any equipment that falls within our area of responsibility.

Vision, Mission, Values

VISION

Recognized as a leading safety authority - a Saskatchewan service provider, inspiring and shaping excellence in public safety.

MISSION

In collaboration with owners, operators and the industry, TSASK provides professional safety, educational and regulatory services that instill a high level of confidence in our public safety system.

VALUES

Safety is Paramount

We practice uncompromised safety in and through the services we deliver.

Integrity

We are open, honest, ethical and transparent in our conduct.

Accountability

We are committed to responsible, consistent and dependable actions.

Teamwork

We believe in the strength of collaborative efforts.

Respect

We treat colleagues, customers and stakeholders with respect.

Recognition

We value and acknowledge the work, ideas, initiatives and contributions of our colleagues and customers.

Professional Service

We add value to our customers through excellence in everything we do.

Continuous Learning

We invest in our employees' learning, growth and transfer of knowledge to support continuous improvement.

Message from the CEO

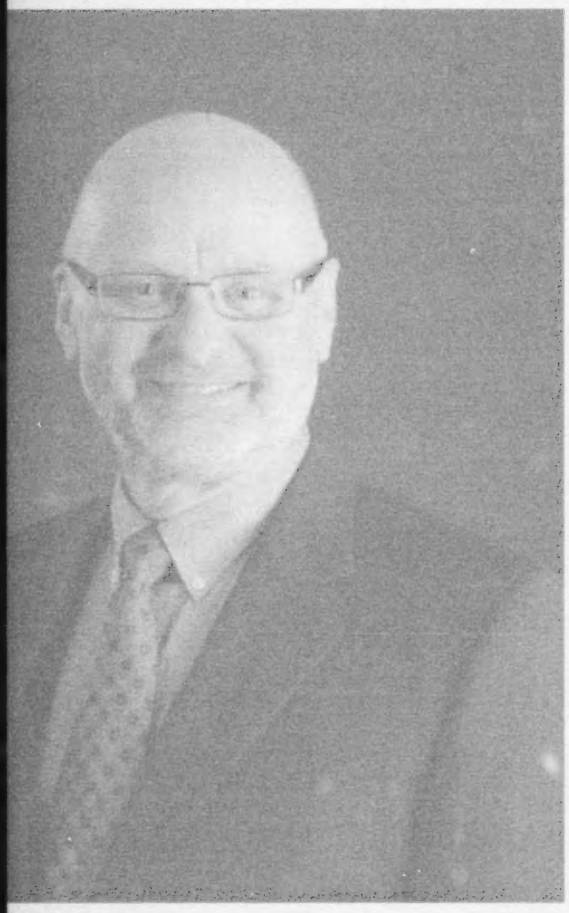
William J. Scott

It is my pleasure to present the Annual Report of the Technical Safety Authority of Saskatchewan for the 2015-16 fiscal year.

I am now entering my fourth year as Chief Executive Officer and I am extremely proud of how far this organization has come. When I first arrived, TSASK was in its infancy as a not-for-profit arm's length organization with a mandate of delivering safety programs related to pressure equipment, elevating devices and amusement rides on behalf of the Government of Saskatchewan. Many of our systems were paper based and inefficient, as our previous processes were created under an old service delivery model.

We spent two years putting in place our own internal processes, accountabilities and systems to support our clients and the growth of the provincial economy. We have been successful in building a culture of collaboration, discipline and continuous improvement and now have the tools in place to allow the entire organization to succeed even during lean times.

This past fiscal year was a challenging one for many of our customers who have had to adjust their operations in response to the economic downturn in Western Canada. The recent difficulties in the mining and oil and gas industries, and the decline in oil prices have changed the timing of capital spending and project work within industry. This has had an impact on TSASK revenues and earnings.



The hardest hit revenue stream in fiscal 2016 was the number of boiler pressure vessel designs submitted to TSASK. While not our biggest revenue generator, this is an area of the business where we had made substantial progress in the previous year and had allocated additional resources to maintain the momentum. Last year, we generated approximately $1.3 million in revenue from these design registration activities. For fiscal 2016, this revenue decreased by about 29.0%.

Fortunately, our focus on fiscal stability in prior years, and the work we did to improve efficiencies, has positioned us to manage the present economic situation the province is currently experiencing. Despite recording a $248,939 deficit in fiscal 2016 (which compares to earnings of $337,928 last year), we continue to enjoy a strong balance sheet.

TSASK's liquidity position is solid. Our cash and short-term investments have increased by 11.0% this year. In addition, we are confident that the proactive and prudent financial management strategies we employed over the last two years will provide the necessary reserves to allow us to continue to deliver on our mandate while the economy recovers.

Based on recent forecasts, the provincial economy will begin its recovery in fiscal 2017 and will experience modest growth the following year. Growth of TSASK revenues is expected to follow.

From an operational perspective, we have made significant strides. In early 2016, we implemented an enterprise risk management framework that we have incorporated into our business planning to better inform our decision-making and resource allocation choices. This framework, together with the new processes and data management infrastructure, gives us the ability to adjust the business quickly, thoughtfully and prudently.

The Basebridge program that we implemented last year has been an important tool in helping us manage the business. It offers more accurate reporting and gives us the data we need to create new procedures to identify and monitor corrective action orders.

[Message from the CEO]

For example, we were able to identify 1,942 past due orders that required corrective repair work and we were successful in reducing that number to just 307 by year-end. We had no means of identifying this corrective work prior to the implementation of Basebridge.

Given the success of Basebridge in our boiler and pressure vessel business, we have begun work on the development and testing of a module for inspections, orders and licensing of elevating devices. Currently, this area's processes are paper-based.

The Basebridge system also gives TSASK the ability to establish statistically measureable benchmarks to test, evaluate and more effectively deliver on our service standards. We have more visibility with respect to customer risk profiles, which improves our ability to prioritize our work and manage resources.

This has been especially important this year. With the anticipated decline in revenues, management identified the need to proactively review TSASK's structure and internal accountabilities in an effort to make adjustments to reflect current demands.

With the data provided by Basebridge, together with information we received from our client base and employees, we initiated a program to improve efficiencies. Management identified measures to reduce expenses that resulted in a significant reduction in capital expenditures and legal and accounting services, in addition to decreases in such items as information technology and administration expenses. We also saw a 10.5% decline in full time equivalent positions. We worked with our employees and collaborated with the union to achieve these results, the financial impact of which will become evident in fiscal 2017.

It is important that we recognize that our ability to implement these changes is a direct result of our employees' commitment to TSASK. They have been working hard to increase cross-organizational collaboration. They are committing the time to improve communication. They are participating in training sessions on such topics as TSASK's financial position and process management in an effort to understand how they can contribute to our long-term financial sustainability. I personally thank the entire TSASK team for embracing this challenge.

Certainly our focus in fiscal 2016 was on financial management, but I would be remiss not to highlight a number of operational and strategic objectives that were achieved during this time.

Last year, we provided our stakeholders with a progress report on items and priorities that were jointly identified by TSASK and the Provincial Auditor. I am pleased to report that we have cleared 100% of those priorities.

100 %

Provincial Auditor's performance audit recommendations fully implemented

TSASK has also been successful in reducing overdue inspections to just 2.2%, down from 8.6% last year and 22.8% the prior year. This has been a particular focus for our inspectors and I would like to congratulate them on this accomplishment.

Strategically, we were successful in delivering on over 80% of the objectives that we set last year - this is in addition to the many mitigation strategies that we employed to address the economic downturn.

This fall, our management team will meet again to revisit our strategic priorities to ensure we continue to proactively pursue our vision of inspiring and shaping excellence in public safety. We recognize our client base has changed. Industry is adjusting. Demands for our resources will grow. Our approach to service delivery will evolve. It will be timely work as we look ahead in anticipation of an economic recovery and the implications for all of TSASK's stakeholders.

Thank you for sharing in our vision and for your support, collaboration, and collective commitment to the Technical Safety Authority of Saskatchewan.

Sincerely,

Bill Scott, CEO

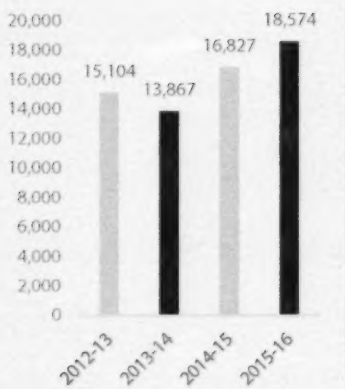
Management's Discussion of Financial and Operational Performance

The purpose of Management's Discussion of Financial and Operational Performance is to enhance our stakeholders' understanding of the industry trends that drive our priorities as an organization. It also provides financial and operational context to support the disclosures contained in the 2015-16 audited financial statements.

Fiscal 2015-16 Review of Financial Performance

Economic growth in the province is a key contributor to TSASK's revenue base. However, our primary revenue stream is derived from the licensing of boilers, pressure vessels, and elevators, which are largely stationary items that are well insulated from economic slowdowns.

From a revenue recognition and cash flow perspective, our fees from licensing are collected in advance and are recognized as revenue over a one to five-year period, depending on the type and term of the licence. This means that TSASK has a core base of stable, dependable revenues.



[– Total Inspections Year Over Year –]

+ 10.4 %

increase in total number of inspections

Revenues for 2015-16 were $9.265 million, down 4.2% from the $9.670 million we earned last year, primarily due to a decline in boiler and pressure vessel revenues resulting from the economic downturn in the province. The total number of inspections TSASK completed increased to 18,574 in fiscal 2016, up 10.4% from last year. However, TSASK saw a 29.0% decrease in revenues related to the number of boiler pressure vessel designs submitted by oil and gas customers who put various capital projects on hold.

Partially offsetting this decline was an increase in revenue from elevating devices, which rose by 7.5% relative to the prior year. New building developments that

began in fiscal 2015 have continued, resulting in more equipment being licensed in the province and increasing the demand for elevator inspections.

Total amusement ride revenues increased by approximately 17.7% compared to the prior year. While there was a minor increase in the number of amusement rides licensed in the province in 2016, demand for ride designs and acceptance inspections rose, driving the revenue growth in this business line.

Expenses

TSASK's expenses for 2015-16 were $9.514 million, which compares to $9.332 million last year.

Salaries and benefits were up approximately 9.5% to $6.999 million in fiscal 2016, compared to the previous year. The increase reflects annual salary increases for in-scope and out-of scope employees, and severance costs associated with organizational restructuring. It also reflects costs for additional resources that were put in place last year in response to growing demands from the industry that did not materialize.

Management undertook an internal review of its human resource requirements and implemented an organizational restructuring to better align staffing levels with current demands of the business. Full-time equivalent (FTE) positions declined by approximately 10.5%, to 60.5 positions from 67.6 at 2014-15 year-end. Savings from this initiative will be realized in future years.

The second most significant variance in the expense category was amortization, which was $421,142 in fiscal 2016, up 37.1% from the $307,483 recorded in fiscal 2015. This reflected a full year of amortization for the Saskatoon office relocation, the Basebridge software, and computer hardware that was required to transition from the legacy system.

Rent, space and equipment expenses decreased by $278,669, or 27.6%, to $730,557 for fiscal 2016. Lower information technology costs were achieved by moving TSASK's requirements in-house. The decrease was somewhat offset by a full year of rent for the Saskatoon location and higher fees related to a full year of Basebridge subscriptions.

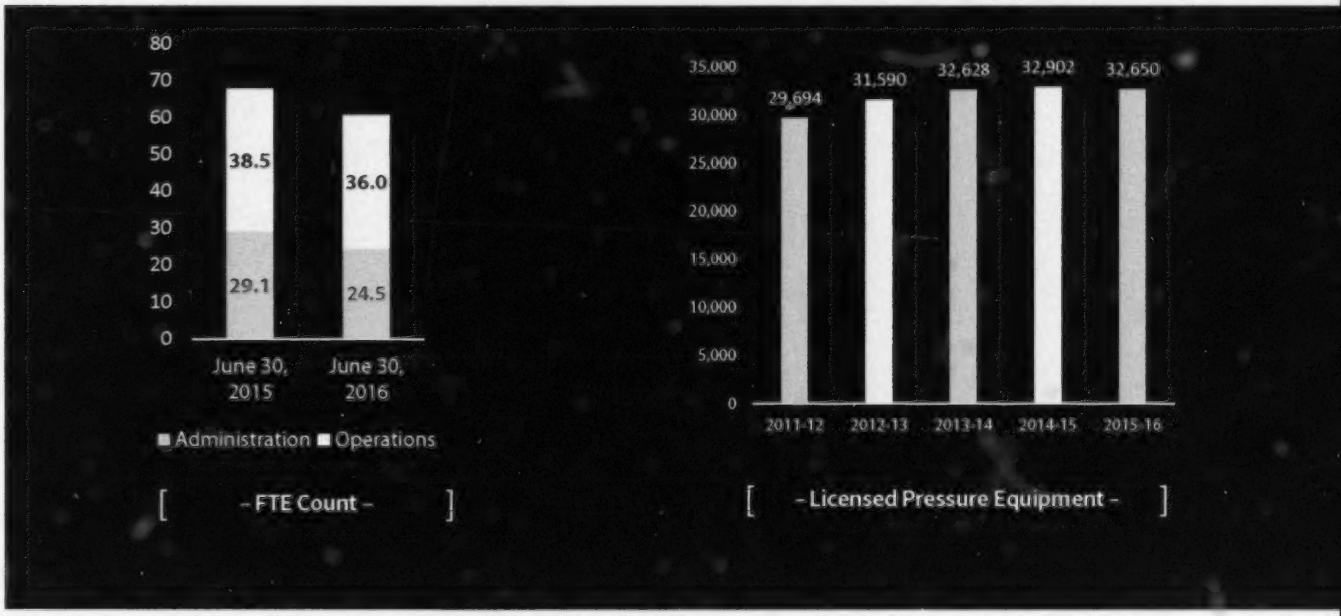
Legal, accounting and other service expenses declined 35.2% in fiscal 2016. Administrative expenses were down more than 35.4% and other business expenses were 18.3% lower than the prior year. All of these results reflect the success of management's cost containment strategies that were implemented during the year to address the recent decline in revenues.

Capital Expenditures

Total capital expenditures for the year of $171,711 were less than a third of the $625,191 spent in fiscal 2015. The majority of the funds were spent on software development for the Basebridge elevator module. Management intends to hold capital expenditures to maintenance levels until the economy rebounds and TSASK is once again able to achieve revenue growth.

Net Assets

TSASK's total net asset position was $3.668 million as of June 30, 2016, a decrease of 6.4% from $3.917 million on June 30th last year. It is comprised of an investment in capital assets, an operating reserve, as well as an externally restricted reserve. The $400,000 that was previously held in a capital reserve has been transferred to



[– FTE Count –]

[– Licensed Pressure Equipment –]

the operating reserve for capital projects that were implemented in the 2015-16 fiscal year. The reserve of $600,000 was put in place in fiscal 2014 as required by the Safety Standards Agreement with the Government of Saskatchewan.

Review of Operational Performance

TSASK is responsible for inspecting, regulating and licensing pressure vessel equipment, as well as elevating devices and amusement rides.

The number of licenced pressure equipment items at the end of fiscal 2015-16 totalled 32,650, which compares to 32,902 for fiscal 2014-15 a net decrease of 252. The number of equipment items actually peaked at 32,915 during the year due to the addition of new gas plant equipment, steam assisted gravity drainage and some additional equipment added by a major potash producer. By year-end, however, these increases were offset by a reduction of licenced pressure equipment by companies who made the decision to deactivate some equipment due to the economic downturn.

Licenced elevating device inventory includes passenger and freight elevators, dumbwaiters, lifts for the physically disabled, construction personnel lifts, and ski lifts. In 2014-15, there were 3,827 units in Saskatchewan, which rose by approximately 2.9% to 3,938 by the end of fiscal 2016. More equipment is being licensed in the province and the demand for elevator inspections increased due to building developments and modernizations that began in 2015.

The number of amusement rides that were licensed to operate in Saskatchewan during 2015-16 was 386, which is up slightly from the previous year. In addition to its regular services, TSASK made a concerted effort to identify inflatables that were not licensed. This increase would have been higher had it not been for the decision by a large inflatable rental company to reduce inventory, and by traveling fair ride operators who reduced the number of amusement rides being brought to the province.

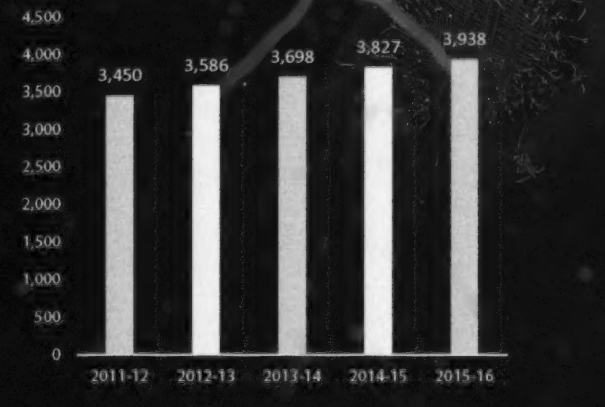
Quality Management Systems

Quality Management Systems (QMS) are available to companies who are able to illustrate their commitment to safety and demonstrate increased internal accountability and quality control. Owners or insurers of pressure equipment establish a documented inspection program. The owners, which are primarily larger customers, employ their own qualified inspection personnel who are required to perform recognized, periodic inspections on equipment they own or insure. TSASK approves and audits those programs to ensure compliance.

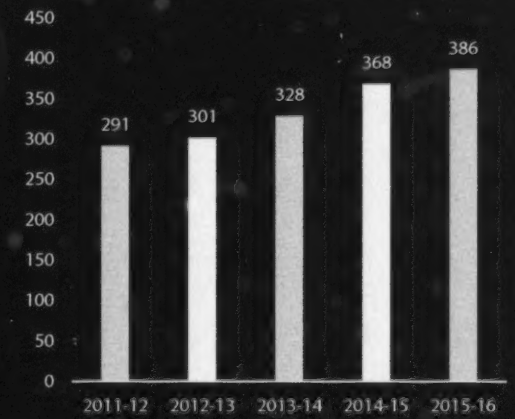
TSASK remains committed to educating the industry on the benefits of developing a QMS program. There were eight companies representing 28.2% of all licensed provincial inventory operating under a QMS in fiscal 2016. In fiscal 2015, there were seven QMS companies, which comprised 22.3% of the provincial inventory. TSASK anticipates that this number will decline next year. The general slowdown in the industry could further reduce the numbers of operating equipment. As well, pending mergers and acquisitions in the oil and gas sector will likely cause existing QMS companies to alter equipment numbers.

Inspection Services

Inspection services are integral to TSASK's mandate. They ensure that effective and efficient safety programs are in place to support the growth of the provincial economy. They also confirm continued compliance by various Saskatchewan industry participants who are contributing to the province.



[- Licensed Elevating Devices -]



[- Licensed Amusement Rides -]

The table below illustrates TSASK's inspection services relative to the prior fiscal years.

	2013-14 Actual	2014-15 Actual	2015-16 Actual	% Increase / Decrease Over Last Year
In-service pressure equipment	5,951	9,513	9,804	3.1%
Pressure equipment installation acceptances	4,961	3,987	5,010	25.7%
In-service elevating devices	2,368	2,747	3,165	15.2%
Elevating device modification , modernization and installation	248	239	237	(0.8%)
Amusement ride initial set-up	339	341	358	5.0%
Total TSASK Inspections	*13,867*	*16,827*	*18,574*	*10.4%*
Quality Management System inspections	1,406	852	2,238	162.7%
Total Provincial Inspections	*15,273*	*17,679*	*20,812*	*17.7%*

[– TSASK & QMS Inspection Services –]

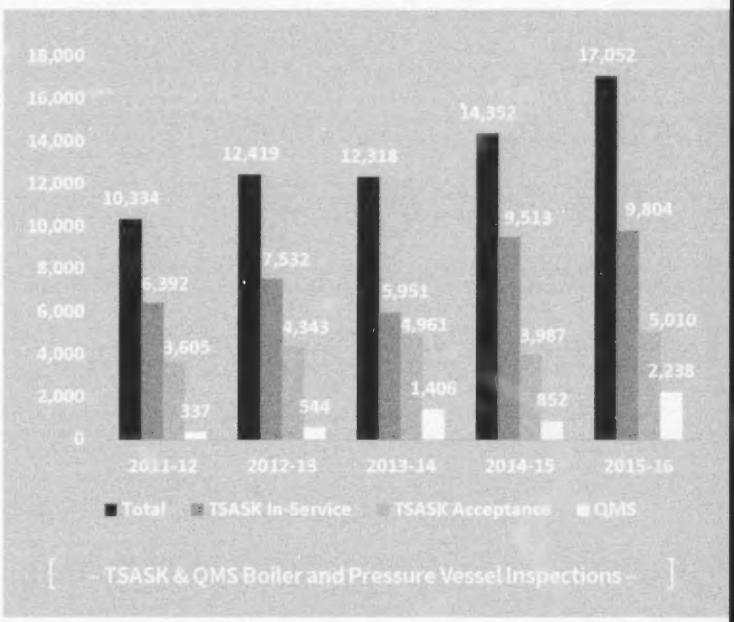
It is important to note that annual inspections are not required on all pressure equipment. We conduct periodic inspections to determine the condition of the equipment and its fitness to continue to operate safely, considering the operating conditions and environment. Inspection frequencies vary between one and five years, consistent with accepted regulatory practices. Periodic inspections by TSASK during fiscal 2016 represented 41.8% of the total inventory that TSASK is responsible to inspect.

TSASK conducted 9,804 in-service pressure vessel inspections in fiscal 2016, which is a 3.1% increase relative to the previous year, and once again tops the organization's previous best. We were also successful in increasing the number of pressure equipment installation acceptances relative to the prior year by 25.7%. These results are directly related to the implementation of Basebridge, which provides the organization with better reporting that management has utilized to improve procedures, create new efficiencies and more accurately allocate resources. As well, TSASK had previously added to its capacity in this area, which contributed to the increase and enabled TSASK to substantially reduce overdue inspections.

QMS inspections were up 162.7% relative to last year. Improvements in the information we receive from QMS companies, coupled with changes to our own processes, allowed us to increase efficiencies and enhance how we monitor their reports.

TSASK & QMS Boiler & Pressure Vessel Inspections

TSASK continues to be extremely successful in reducing the number of outstanding inspections that are six months or more past the standard inspection frequency. Last year, TSASK reported that it had reduced outstanding inspections by approximately 59.9% since the



[– TSASK & QMS Boiler and Pressure Vessel Inspections –]

establishment of TSASK as a stand-alone organization. At that time, TSASK had reduced the outstanding inspection count from 22.8% of licensed inventory at its inception, to 8.6% after five years. By the end of fiscal 2016, outstanding inspections stood at just 2.2%, almost a three-fold improvement from the prior year.

Compared to 2014-15, elevating device inspections increased by 15.2%, to 3,165 completed in-service inspections in fiscal 2016. Demand for acceptance inspections, which require more time, resulted in 237 inspections being performed on new installations or major modifications. By adjusting capacity to meet demand, TSASK was able to increase inspections to keep up with rising inventory, while continuing to complete the high number of acceptance inspections.

Similar to pressure equipment, it is not required that all elevating devices receive an annual inspection. However, the percentage is significantly higher, as elevators operate in an environment of higher mechanical wear and tear due to the cyclical nature of their operations. In 2015-16, 86.4% of all elevating devices received an inspection, which compares to 78.0% last year.

All amusement rides that are operated in the province are inspected annually, and TSASK continues to perform to this high standard.

Pressure Equipment Competency Certifications

In addition to administering inspection services, TSASK provides programs to ensure companies and people responsible for pressure equipment meet minimum competency standards. In 2015-16, TSASK issued 123 Certificates of Authorization to companies having demonstrated quality control systems for the installation, repair, alteration and/or manufacture of pressure equipment. There were 16 new companies included in this total. These certificates are valid for three-year periods before mandatory review and re-certification. There are 390 Certificates of Authorization currently issued. These companies are further supported by the 2,180 qualification licenses issued to pressure welders. During fiscal 2016, TSASK administered 1,057 physical demonstration and examination tests of welders, and assessed qualifications held by welders from other provinces and authorized testing companies.

In response to customer demands, TSASK maintained weekly testing in both Saskatoon and Regina.

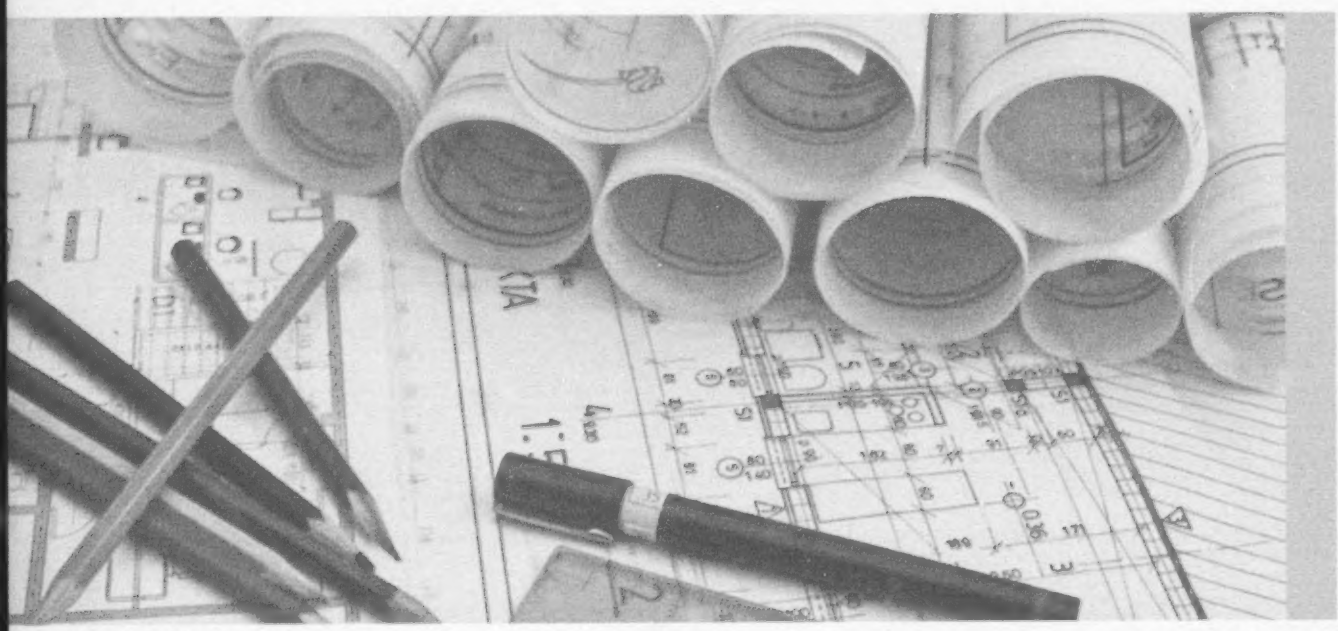
Design Survey

TSASK reviews designs for pressure equipment and elevating devices that are to be operated in Saskatchewan to determine that the design complies with provincial legislation as well as relevant codes and standards.

In fiscal 2016, 1,576 pressure equipment designs were reviewed and registered, which compares to 2,154 and 1,847 in the previous two years. After two years of consistent growth, boiler pressure vessel design registrations decreased by 26.8% in fiscal 2016, reflecting the decline in demand from the industry.

TSASK introduced new boiler pressure vessel service level options in an effort to create a process for urgent reviews to be completed while efforts continue to reduce wait times. As well, we are now accepting submissions electronically and have implemented a single invoicing system to reduce paperwork.

There were 214 elevating device plans registered during the year, which is up slightly from last year.



3rd

TSASK administers the third highest number of standardized exams in the country, exceeded only by Alberta and Ontario.

Power Engineering

At year-end, there were 11,124 valid power engineering licences for boilers and refrigeration plants operating in the province, down slightly from 11,550 at the same time in the prior year. Power engineering licences are renewed every year or every five years, and this year TSASK processed 1,933 renewals, which compares to 1,834 last year.

TSASK conducted 3,291 examinations for people working towards a new or upgraded certificate level, which compares to 3,580 in 2014-15. Last year, we increased the frequency of exams in Regina from quarterly to monthly for those individuals seeking certification and we implemented the same change in Saskatoon in fiscal 2016.

TSASK actively participates with a national committee that has standardized an examination question bank and examination policy. This allows for the recognition of a power engineer's certification by other provinces. TSASK administers the third highest number of standardized exams in the country, exceeded only by Alberta and Ontario.

We have implemented a policy to confirm educational qualifications for candidates educated outside of the country, and we will be providing feedback on all multiple choice exams in the new year.

In addition to this examination work, TSASK continues to promote power engineering as a career. The lack of skilled operators has been a limiting issue for industry. This has presented an opportunity to become involved in a program that is now being recognized and promoted in support of the industry. SaskPower, the Prairie South School Division and TSASK work together to support Saskatchewan youth who want to become skilled in this highly sought after profession. SaskPower provides hands-on training at its Poplar River Station, while the Prairie South School Division provides course training that is recognized as 20 and 30 level high school credits. TSASK formally recognizes these components as approved course materials, which allows students to take the national certification examination. TSASK also worked with the Sun West Distance Learning Centre in Kenaston to support web-based power engineering courses.

Accidents

TSASK is pleased to report that there were no fatalities or serious injuries associated with the failure of equipment. In total, there were seven accidents reported to TSASK during the 2015-16 fiscal year, which is down from nine accidents the previous year. There were four boiler and pressure vessel accidents (four in fiscal 2015), two elevating device accidents (compared to three last year) and one amusement ride accident (two in fiscal 2015). All reported accidents were investigated for cause. A determination was then made with respect to the need for targeted or general industry awareness or corrective actions.

As a direct result of equipment review, TSASK implemented a new policy of annual internal escalator inspections and issued a directive to clients regarding escalator maintenance and testing.

Appeals

The Boiler and Pressure Vessel Safety Board, an initiative established within *The Boiler and Pressure Vessel Act, 1999*, hears appeals against the decisions of the Chief Inspector. The Board has the authority to review decisions related to the cancellation or suspension of a licence, the refusal to register or deregister a design and the cancellation or suspension of an Inspection Certificate, a Certificate of Authorization, or a Certificate of Qualification.

There were no appeals received by the Boiler and Pressure Vessel Safety Board in 2015-16.

Status of Acts and Regulations

Although TSASK operates at arm's length from the provincial government, the Ministry of Government Relations remains responsible for the establishment of public policy as well as the maintenance and amendment of all associated acts and regulations. TSASK has, and continues to survey its clients and shares all of the results with government in an effort to inform and advance regulatory change.

Saskatchewan Integrity Association

TSASK was integral in the creation, and is supportive of, the ongoing operation of the Saskatchewan Integrity Association (SIA). SIA is an owner association of pressure equipment inspectors and company integrity management inspectors who are focused on continuously improving and optimizing safety, reliability and integrity of pressure equipment within Saskatchewan facilities. During fiscal 2016, there were 17 member companies, down from 21 the prior year due to restructuring in the industry. This still represents 39.8% of licensed pressure equipment in the province, up from 36.7% last year.

TSASK was integral in the creation of the Saskatchewan Integrity Association, representing 39.8% of licensed pressure equipment in the province.

39.8%

SIA has a constitution and defined membership criteria. In addition to regular memberships, there were a number of associated memberships issued during the year to those people or companies that provide inspection services but do not meet the formal SIA criteria.

SIA was instrumental in the consultation and development of changes to policies and procedures used by TSASK for such topics as pressure piping design registration, QMS reporting, and incident reporting definitions. Developments of those policies went through additional review and comment during fiscal 2016, and are now being implemented. SIA continues to meet and provide the venue for regulator/industry communication and collaboration.

Participation in the Standard Development Process and Liaison with Industry and Other Regulators

TSASK continues to contribute to, and participate in, national and international standards development. As members of the Canadian Standards Association (CSA), the National Board of Boiler and Pressure Vessel Inspectors (NBBI), and the American Society of Mechanical Engineers (ASME), TSASK personnel continue to participate on the following technical committees related to codes and standards adopted under provincial legislation:

- CSA B51 - Boiler, Pressure Vessel and Pressure Piping Code;
- CSA B52 - Mechanical Refrigeration Code;
- CSA B44 - Elevating Devices;
- ASME Boiler and Pressure Vessel Code - pressure vessel, non-destructive examination, and welding committees;
- Association of Chief Boiler and Pressure Vessel Inspectors (ACI);
- Association of Provincial Chief Elevator Inspectors (APCEI);
- Standardization of Power Engineers Examinations Committee (SOPEEC).

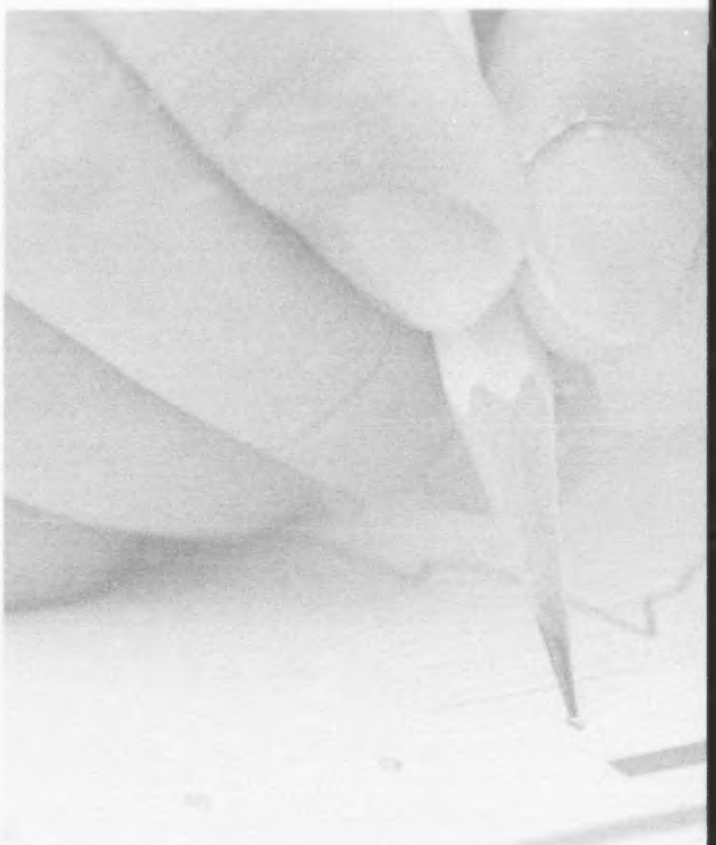
TSASK is also committed to ensuring that it maintains effective liaisons with other regulators and industry by attending and participating in the following associations and committees:

- Saskatchewan Integrity Association (SIA);
- Upstream Chief Inspectors Association (UCIA);
- International Pressure Equipment Integrity Association (IPEIA);
- Saskatchewan Power Engineers Technology Program Advisory Committee.

Public Education and Information Sessions

As a means to identify and meet the needs of those that have an interest in our public safety systems, TSASK continues to develop and deliver public education and information sessions.

We once again sponsored and presented at the International Pressure Equipment Integrity Association meetings. Additionally, TSASK has continued the practice of delivering a presentation on legislation and



how it affects the certification and licensing of power engineers as part of every entry-level limited power engineering examination.

We continue to offer a two-day seminar on Saskatchewan pressure equipment safety legislation that provides an overview of Saskatchewan provincial boiler and pressure vessel safety program requirements as well as an introduction to the scope and principles of the associated technical codes.

Risk Management

Development of a comprehensive risk management program has been a very important strategic priority for TSASK, as it provides the strategic basis and operational framework for all that we do.

To gain an understanding of TSASK's risk environment, the current conditions in which the company operates must be reviewed from an internal and external risk management perspective. TSASK considers macroeconomic and environmental risks, the size, nature and unique characteristics of the various industries it serves, and its customer base.

In early 2016, we implemented our enterprise risk management framework to bring substance to this assessment process. We have incorporated that work into our business planning processes to better inform our decision-making and resource allocation choices, while at the same time ensuring we continue to fulfill our mandate. It was timely work given the impact that the downturn in the economy would have on our business in the short-term. We now have the framework and additional tools in place to adjust the business quickly, thoughtfully and prudently.

Our Basebridge software includes a risk assessment system. This allows us to assess and record equipment risk and assign a Risk Priority Number (RPN) for each piece of equipment. We will quantify the risk, based on the calculation of three criteria:

1. Probability - probability that the equipment could fail, using variables such as condition and design;
2. Severity - consequences if the equipment were to fail, based on variables such as location and dependence of other processes on the equipment; and
3. Detection - the effectiveness of processes and controls that could detect a problem before failure occurs.

By determining the RPN scores for equipment, TSASK is able to categorize and query equipment by risk, allowing appropriate actions to be taken. The risk assessment system is currently in place for boilers and pressure vessels and we now have over 15,000 items rated with an RPN score. We are continuing to utilize this risk information to develop new inspection frequency criteria and are using this data to make operational decisions for high risk items. These actions have positively reduced the risk level associated with the equipment involved.

Message from the Chair of the Board

Robert Watt

Fiscal 2015-16 was a challenging year for the Technical Safety Authority of Saskatchewan. The economic downturn in Saskatchewan forced many TSASK customers to modify their operational and capital plans, and this impacted our revenues for the year. Management was able to take advantage of the work it had done over the past three years to refine its internal capabilities and adjust to these new economic realities.

Management's focus on fiscal stability and strengthening service delivery in this environment has allowed TSASK to create sustainable efficiencies that will contribute to the long term viability of the organization. On behalf of the Board of Directors, I acknowledge the TSASK team for their hard work, flexibility and commitment.

As a Board, in addition to our stewardship and fiduciary responsibilities, one of our primary objectives this year has been board renewal. A number of our directors who joined TSASK when it was first created have completed or are nearing the end of their term and are not eligible for reappointment as outlined in TSASK's Bylaw 1 – Appointment of Board Members.

I would like to acknowledge Mike Dumelie and Robert Shutzman, whose terms expired in August 2016. Mike served throughout his board term on the Human Resources Committee. Bob served as TSASK's first Chair, and also served on the Audit & Finance Committee. Their commitment to TSASK and their leadership has been invaluable.

We have completed our recruitment of new independent directors, and are extremely pleased that we have been able to attract significant talent to our Board.

- Tom Robinson, CPA, CA, retired Regional Managing Partner for KPMG LLP, has a wide range of experience in tax, audit and management consulting for the public and private sector. Tom is a member of the Board's Human Resources Committee.
- Greg Mrazek, CPA, CA, joins our Audit & Finance Committee. He is a retired Chartered Accountant with significant experience working in private sector organizations and with Saskatchewan crown corporations.
- Norm Beug, P. Eng, former Sr. Vice President, Potash Operations for the Mosaic Company, having retired in 2013. He had overall responsibility for Mosaic's six potash mining operations in Canada and the USA. He earned his Mechanical Engineering degree from the University of Saskatchewan and has significant governance and industry experience. Currently he's Chair of the Board of Tourism Saskatchewan.

In April 2017, my final term will expire. To facilitate the transition, Ken From, Vice Chair will become Chair on October 1, 2016 and Tom Robinson will become Vice Chair on that date. It has been an honour to serve TSASK as its Chair and to be a part of its evolution. As I leave as Chair I am confident that TSASK is in good hands going forward.

Robert Watt
Chair

[Board of Directors]

Norm Beug

Norm Beug is the former Sr. Vice President, Potash Operations for the Mosaic Company having retired in 2013.

Norm was a member of the Mosaic senior leadership team. He had overall responsibility for Mosaic's six potash mining operations in Canada and the USA.

A native of Saskatchewan, Norm earned his Bachelor's degree in Mechanical Engineering from the University of Saskatchewan in 1974. He is the former Chairperson of the Canadian Fertilizer Institute, is a board member of SaskEnergy and Chair of the Board of Tourism Saskatchewan. He was a member of the Regina Symphony Orchestra Board, the Board for the Hospitals of Regina Foundation and the past honorary chair of the Saskatchewan Roughriders Centennial Advisory Committee. Norm is Past President of the Saskatchewan Mining Association and the Past Chair of the Saskatchewan Potash Producers Association.

In 2002, Norm was named as one of the ten most influential business men in Saskatchewan for his work as a Business Ambassador. In 2005, Norm was honoured with a Centennial Medal from the Government of Saskatchewan. He lives in Regina.

Michael Dumelie

Member: Human Resources Committee

Michael Dumelie is a partner in Oxford Libero Consulting, a company he established in 2009. He is also an owner of Exeter Developments and Exeter Construction and a partner with Green Growth Capital. Prior to that, he was a Senior Vice President of Business Solutions and a Director of Information Technology for CUETS/Bank of America from 2001 to 2008. He was a Director of Information Management at Saskatchewan Environment and Resource Management from 1998 to 2001, and from 1994 to 1998 Director of Information and Finance and Administration for Saskatchewan Health.

Mike has served on the Mayor's Economic Development Committee in Regina. He has been involved with the Certified Management Accountants organization at the local, provincial and national level, and is active in coaching local and high-performing hockey teams. He lives in Regina.

Ken From

Member: Human Resources Committee
Vice Chair: Board of Directors

Ken From is a Professional Engineer who has spent over a decade involved in the public safety aspect of engineering, including serving as CEO of TSASK from 2010 to 2012. Currently the CEO of the Petroleum Technology Research Centre, Ken was previously involved in two junior oil companies operating in Saskatchewan. In addition, with 26 years at SaskEnergy, Ken served in a variety of roles, including Senior VP of Gas Supply and Business Development.

Ken brings many years of corporate and board experience from both the private and public sectors. He lives in Regina.

Peter Hoffmann

Chair: Audit & Finance Committee

Peter Hoffmann was Director of Corporate Development for the Saskatchewan Public Employees Benefits Agency from 2003 until 2008. Previous to that, he served in senior positions with the Saskatchewan Housing Corporation (SHC), including President and CEO of SHC from 1999 to 2001. He began his career with Saskatchewan Government Insurance in 1974.

In recent years, Peter has served as Chair and Past Chair of the Campion College Board of Regents and on the Board of Ranch Ehrlo Community Services Inc. He lives in Regina.

Keith Laxdal

Member: Human Resources Committee

Keith Laxdal has served as Chairperson of the Automobile Injury Appeal Commission since December 2009. From 1990 to 2008 he was Associate Deputy Minister, Finance and Administration Division for Saskatchewan Justice, Associate Deputy Minister of Saskatchewan Finance from 1987 to 1990 and Deputy Minister, Saskatchewan Revenue and Financial Services from 1984 to 1987. Keith began his career with the Budget Bureau in Saskatchewan Finance in 1967.

Keith's community involvement includes 17 years as a member of the Board of the Credit Union Deposit Guarantee Corporation, as well as serving on the Saskatchewan Film Classification Board and the South Saskatchewan Hospital Board. He lives in Regina.

Shara McCormick

Chair: Human Resources Committee

Shara McCormick is Senior Director of Human Resources and Corporate Services at SaskTel, responsible for human resource strategic planning and development and corporate asset management. Shara has also been a Sessional Lecturer at the University of Regina. She lives in Regina.

Greg Mrazek

Member: Audit & Finance Committee

Greg Mrazek obtained his Chartered Accountant designation in 1977 and has 34 years of work experience in Alberta and Saskatchewan. Greg spent six years in public accounting in Calgary providing audit assurance and financial consulting services to clients in industries such as oil and gas, real estate development, manufacturing and agriculture. In 1981, he moved to Regina as the Controller for Crown Investments Corporation, the holding company for Saskatchewan's commercial Crown Corporations. Greg was the Controller for SaskEnergy, Saskatchewan's natural gas utility from 1991 to 1997 and Vice President Finance from 1997 to 2009. As Vice President Finance, he was responsible for strategic planning, financial planning, financial reporting, treasury and administrative functions.

Greg was SaskEnergy's representative on the Canadian Gas Association's Corporate Affairs Committee from 1992 to 2005. He was also a speaker at Crown Corporation Governance conferences organized by the Federated Press and The Canadian Institute. He lives in Regina.

Tom Robinson

Member: Human Resources Committee

Tom Robinson was a Regional Managing Partner for KPMG LLP as well as the Managing Partner for the Regina office for a number of years. He provided audit, business advisory and consulting services to large and medium sized organizations in the private and public sectors for 39 years.

Tom has been committed to active community service for many years. Some of these roles included: President of the Saskatchewan Roughrider Football Club, President of SaskSport, Chairman and President of the 1987 Western Canada Summer Games, Vice President of Sponsorship for the 1995 Grey Cup, Chairman and Governor of the Board of Governors of the Canadian Football League. He lives in Regina.

Robert Schutzman

Member: Audit & Finance Committee

Bob Schutzman is the Director of Environmental Affairs for Canada for EVRAZ Inc. NA Canada, a Canada-wide, multi-plant management role he has filled since 1998, and during which time he was also EVRAZ's Canadian Director of Trade for five years. Previously, Bob held various positions with IPSCO Inc., was a regulator in the Water Quality Branch of Saskatchewan Environment and Public Safety from 1985 to 1990, an environmental engineer for the Potash Corporation of Saskatchewan from 1980 to 1985, and held various engineering positions back to 1970.

Bob has been involved in a number of community and professional boards focused on environmental issues. He was a founding Director and past Chair of the Saskatchewan Environmental Industry and Managers Association and was also Chair of TSASK. He lives in Regina.

Robert (Bob) Watt

Chair: Board of Directors
Ex-Officio: Human Resources Committee
Member: Audit & Finance Committee

Bob Watt is a retired partner of Deloitte. During his career, he managed the delivery of client services to a number of major companies in Saskatchewan and nationally and was City Leader for Deloitte from 2003-2010. As a result, Bob brings a particularly strong background in client service, as well as broad experience in management and corporate leadership.

Bob has also been a leader in community organizations in health and education, and is the Chair of the Audit Committee of the Western Surety Board as well as serving on several other boards of Regina-based organizations. He holds an Honours Business Administration degree from the Richard Ivey School of Business, University of Western Ontario, and earned his Chartered Professional Accountant designation in both Ontario and Saskatchewan, becoming a Fellow Chartered Professional Accountant in 1997. Bob received the Distinguished Community Service Award of CPA Saskatchewan. He lives in Regina.

Management's Responsibility for the Financial Statements

To the Board of Directors:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgements and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit & Finance Committee are composed entirely of Directors who are neither management nor employees of Technical Safety Authority of Saskatchewan. The Audit & Finance Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for recommending approval of the financial statements to the Board. The Audit & Finance Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit & Finance Committee is also responsible for recommending the appointment of the Authority's external auditors.

MNP LLP, is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the committee and management to discuss their audit findings.

September 8, 2016

Chief Executive Officer

Vice President, Corporate Services

Independent Auditors' Report

To the Directors of Technical Safety Authority of Saskatchewan:

We have audited the accompanying financial statements of Technical Safety Authority of Saskatchewan, which comprise the statement of financial position as at June 30, 2016, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Technical Safety Authority of Saskatchewan as at June 30, 2016 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MNP LLP

Regina, Saskatchewan
September 8, 2016

Chartered Professional Accountants

Statement of Financial Position

Technical Safety Authority of Saskatchewan
As of June 30, 2016

	2016	2015
ASSETS		
Current Assets		
Cash	$ 1,334,072	$ 930,734
Accounts receivable (note 3)	404,459	308,044
Prepaid expenses	96,336	108,566
Short-term investments (note 4)	4,276,418	4,089,270
	6,111,285	5,436,614
Long-term investments (note 4)	503,292	507,877
Tangible capital assets (note 5)	1,198,500	1,453,191
Intangible assets (note 6)	631,161	625,902
	$ 8,444,238	$ 8,023,584
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	$ 475,158	$ 604,340
Deferred revenue (note 9)	3,336,694	2,358,229
Deferred tenant allowance (note 10)	35,383	35,383
	$ 3,847,235	$ 2,997,952
Deferred revenue (note 9)	734,863	879,170
Deferred tenant allowance (note 10)	193,737	229,120
	$ 4,775,835	$ 4,106,242
Net Assets (note 11)		
Invested in capital assets	$ 1,829,661	$ 2,079,093
Externally restricted - Safety Standards Agreement	600,000	600,000
Capital reserve	-	400,000
Operating reserve	1,238,742	838,249
	3,668,403	3,917,342
	$ 8,444,238	$ 8,023,584

Commitments (note 12)
See accompanying notes to the financial statements.

Approved by the Board:

Director

Director

Statement of Operations and Changes in Net Assets

Technical Safety Authority of Saskatchewan
For the year ended June 30, 2016

	2016	2015
REVENUES		
Boiler and pressure vessel safety	$ 7,608,287	$ 8,099,979
Elevator safety	1,535,239	1,427,866
Amusement ride safety	52,086	44,251
Other	69,641	98,110
	9,265,253	9,670,206
EXPENSES		
Salaries and benefits	$ 6,998,994	$ 6,391,162
Rent, space and equipment	730,557	1,009,226
Travel	504,950	471,654
Amortization	421,142	307,483
Other business expenses	344,350	421,371
Legal, accounting and other services	242,555	374,150
Administrative	171,832	265,976
Board and committees	99,812	91,256
	9,514,192	9,332,278
EXCESS OF EXPENSES OVER REVENUE	**$ (248,939)**	**$ 337,928**
Net Assets, beginning of year	3,917,342	3,579,414
NET ASSETS, END OF YEAR	**$ 3,668,403**	**$3,917,342**

See accompanying notes to the financial statements.

Statement of Cash Flows

Technical Safety Authority of Saskatchewan
For the year ended June 30, 2016

	2016	2015
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of expenses over revenue	$ (248,939)	$ 337,928
Items not affecting cash		
Amortization of tangible assets	260,853	173,863
Amortization of intangible assets	160,289	133,620
Amortization of tenant allowance	(35,383)	(32,717)
	136,820	612,694
Net change in non-cash working capital		
Accounts receivables	(96,415)	75,729
Prepaid expenses	12,230	(72,766)
Accounts payable and accrued liabilities	(129,181)	(194,195)
Deferred revenue	834,158	(245,436)
Deferred tenant allowance	-	20,000
	757,612	196,026
INVESTING ACTIVITIES		
Additions to tangible capital assets	(6,163)	(524,379)
Additions to intangible assets	(165,548)	(100,812)
Purchase of investments	(182,563)	(3,246,511)
	(354,274)	(3,871,702)
INCREASE (DECREASE) IN CASH	**403,338**	**(3,675,676)**
CASH, BEGINNING OF YEAR	930,734	4,606,410
CASH, END OF YEAR	**$ 1,334,072**	**$ 930,734**

See accompanying notes to the financial statements.

Notes to the Financial Statements

1. NATURE OF BUSINESS

The Technical Safety Authority of Saskatchewan (TSASK) is a not-for-profit organization established July 1, 2010 through the *Technical Safety Authority of Saskatchewan Act*. TSASK was created from the Licensing and Inspections Branch of the Ministry of Corrections, Public Safety and Policing with a mandate of delivering safety programs related to pressure equipment, elevating devices and amusement rides in the province. TSASK's relationship with government now resides with the Ministry of Government Relations.

TSASK's registration, inspection, certification and licensing programs and services operate on a fee-for-service basis. These fees are charged to the sectors involved in the manufacturing, installing and operating of technical equipment. TSASK entered into the Safety Standards Agreement with the Government of Saskatchewan to establish the rights and responsibilities of the parties and the terms and conditions for the delegation to TSASK of the administration of the safety statutes in accordance with the Act.

TSASK administers and enforces the following legislated safety statutes:

- *The Boiler and Pressure Vessel Act, 1999;*
- *The Passenger and Freight Elevator Act;*
- *The Amusement Ride Safety Act.*

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

TSASK's financial statements are prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

b. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. In particular, accounts receivables are stated after an evaluation to determine collectability is conducted and an appropriate allowance for doubtful accounts is provided where considered necessary. Estimates are also used to determine amortization, which is based on the estimated useful lives of the assets. The percentage of completion of revenue is also estimated. Estimates are based on management's knowledge of current events and actions TSASK may undertake in the future. These estimates and assumptions are reviewed periodically and adjusted for as required.

c. Revenue Recognition

When a fee covers a specific period, revenues are recognized evenly over that period. Where the fee does not cover a specific period and is earned over a period of time, estimates are used to determine the period over which revenue is recognized, based on past history. Fees collected in advance are classified with deferred revenue. All other revenues are recorded when services are performed and are recorded on the accrual basis.

d. Corporate Income Taxes

TSASK is incorporated as a not-for-profit organization and is exempt from federal and provincial income taxes.

e. Cash

Cash is comprised of balances with the bank and is recognized at fair value.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Accounts Receivable

Management evaluates collectability of customer receivables depending on the customer and the nature of the service provided. Collectability of receivables is reviewed and adjusted for as required. Account balances are provided for in the statement of operations when management determines that it is probable that the receivable will be uncollected.

g. Investments

Investments consist of term deposits and are carried at fair market value. Investments expected to be realized beyond the next fiscal year are classified as long-term.

h. Tangible Capital Assets

Tangible capital assets are recorded at cost. Amortization of property and equipment commences when it is brought into service and is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	7 years
Computer hardware	3 - 5 years
Leasehold improvements	term of the lease

i. Intangible Assets

Direct costs attributed to the purchase and customization of third party software are capitalized and are recorded at cost. Costs to support or service software are expensed in the period incurred. Amortization of software commences when it is brought into service and is provided on a straight-line basis over the estimated useful life of the asset (3 - 5 years).

j. Financial Asset Impairment

TSASK assesses impairment of all its financial assets measured at cost or amortized cost. TSASK groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers whether the issuer is having significant financial difficulty and/or whether there has been a breach in contract, in determining whether objective evidence of impairment exists. Where there is an indication of impairment, TSASK determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, TSASK reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; and the amount that could be realized by selling the assets. Any impairment, which is not considered temporary, is included in current year earnings.

TSASK reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations.

k. Deferred Tenant Allowance

Deferred tenant allowance includes amounts received in lease agreements related to leasehold improvements. Amortization of the deferred tenant allowance is recognized over the length of the lease on a straight-line basis.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Financial Instruments

Financial instruments are recognized when TSASK becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at fair value. Financial assets and liabilities originated and issued in related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Part II, Section 3840 Related Party Transactions.

At initial recognition, TSASK may irrevocably elect to subsequently measure any financial instrument at fair value. TSASK has elected to measure investments at fair value.

TSASK subsequently measures all other financial instruments at cost or amortized cost.

3. ACCOUNTS RECEIVABLE

	2016	2015
Trade	$ 396,455	$ 272,861
Other receivables	28,034	55,183
Allowance for doubtful accounts	(20,030)	(20,000)
	$ 404,459	**$ 308,044**

4. INVESTMENTS

a. Short-term investments consist of term deposits of $4,276,418 (2015 – $4,089,270) with yields between 0.95% and 1.55%, maturing prior to June 29, 2017.

b. Long-term investments consist of the following, maturing on December 4, 2017, at a rate of 1.15%:

	COST 2016	MARKET VALUE	COST 2015	MARKET VALUE
Term Deposit	$ 500,000	$ 503,292	$ 500,000	$ 507,877

5. TANGIBLE CAPITAL ASSETS

	COST 2016	ACCUMULATED AMORTIZATION 2016	COST 2015	ACCUMULATED AMORTIZATION 2015
Furniture and equipment	$ 1,029,032	$ 465,781	$ 1,026,103	$ 306,103
Leasehold improvements	901,080	265,831	897,846	164,655
	1,930,112	731,612	1,923,949	470,758
Accumulated amortization	(731,612)		(470,758)	
Net book value	**$ 1,198,500**		**$ 1,453,191**	

Notes to the Financial Statements

6. INTANGIBLE ASSETS

	COST 2016	ACCUMULATED AMORTIZATION 2016	COST 2015	ACCUMULATED AMORTIZATION 2015
Software	$ 925,070	$ 293,909	$ 759,522	$ 133,620
Accumulated amortization	(293,909)		(133,620)	
Net book value	**$ 631,161**		**$ 625,902**	

7. DEMAND OPERATING FACILITY AGREEMENT

TSASK has a Demand Operating Facility Agreement providing for a revolving line of credit for loans and overdrafts not to exceed $250,000. The interest rate is set at prime rate + 0.500% per annum. Bank Security under the agreement consists of a first charge to acquired personal property and guarantees. During the year, TSASK continually had a positive cash balance and at no point was the line of credit accessed (2015 - $nil).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables	$ 8,047	$ 105,684
Accrued liabilities	49,310	157,280
Employment insurance payable	1,185	419
Canada pension plan payable	3,053	1,399
Employee income tax payable	19,356	9,883
Payroll employer liabilities	390,847	327,836
Provincial sales tax payable	237	358
Goods and services tax payable	3,123	1,481
	$ 475,158	**$ 604,340**

9. DEFERRED REVENUE

	2016	2015
Deferred elevator licensing	$ 537,013	$ 489,136
Deferred operators licensing	1,518,646	1,701,609
Deferred boiler and pressure vessel licensing	2,015,898	1,046,654
Total deferred revenue	$ 4,071,557	$ 3,237,399
Current portion	**$ 3,336,694**	**$ 2,358,229**
Long-term	**$ 734,863**	**$ 879,170**

The deferred boiler and pressure vessel licensing amounts are for fees collected in advance.

Notes to the Financial Statements

10. DEFERRED TENANT ALLOWANCE

	2016	2015
Deferred tenant allowance, beginning of year	$ 264,503	$ 277,220
Allowance received during the year	-	20,000
Amortization of tenant allowance	(35,383)	(32,717)
Deferred tenant allowance, end of year	$ 229,120	$ 264,503
Current portion	**$ 35,383**	**$ 35,383**
Long-term	**$ 193,737**	**$ 229,120**

11. NET ASSETS

a. Invested in capital assets

Net assets invested in capital assets of $1,829,661 (2015 - $2,079,093) represent the amount of net assets that are not available for other purposes due to investment in long-term assets.

b. Externally restricted reserve

The Safety Standards Agreement requires TSASK to maintain adequate surplus to protect the organization from unforeseen circumstances that would affect the viability of TSASK. The amount of the reserve must cover operating costs of four months and be comprised of a restricted net asset of $600,000 and the remainder be funded through deferred revenue. The Board of Directors had restricted $600,000 for this purpose and deferred revenues total $4,071,557 (2015 - $3,237,399) meeting the funding requirements.

c. Capital reserve

A capital reserve of $400,000 had been established by the Board of Directors to fund long-term investment projects, such as the modernization of facilities and information technology systems. In the current year, the Board of Directors approved a transfer of $400,000 from this fund.

d. Operating reserve

The operating reserve represents all accumulated surplus. This amount can be used to fund future operating initiatives and is unrestricted.

	Invested in Capital Assets	Operating Reserve	Externally Restricted Reserve	Capital Reserve	Total
Net assets, June 30, 2014	$ 1,761,384	$ 818,030	$ 600,000	$ 400,000	$ 3,579,414
Excess of revenue over expenses	-	337,928	-	-	337,928
Investment in tangible and intangible assets	317,709	(317,709)			
Net assets, June 30, 2015	$ 2,079,093	$ 838,249	$ 600,000	$ 400,000	$ 3,917,342
Excess of expenses over revenue	-	(248,939)	-		(248,939)
Investment in tangible and intangible assets	(249,432)	249,432			
Transfer from capital reserve to operating reserve	-	400,000	-	(400,000)	
Net assets, June 30, 2016	$ 1,829,661	$ 1,238,742	$ 600,000		**$ 3,668,403**

Notes to the Financial Statements

12. COMMITMENTS

TSASK has entered into various lease agreements with minimum annual payments as follows:

2017	$ 384,738
2018	387,070
2019	406,859
2020	382,080
2021	294,628
Thereafter	491,048
	$ 2,346,423

13. FINANCIAL INSTRUMENTS

FAIR VALUE

TSASK's financial instruments consist of cash, accounts receivable, investments, accounts payable, and accrued liabilities. The carrying amount of TSASK's financial instruments approximates fair value, due to relatively short-term maturities.

CREDIT RISK

TSASK is exposed to credit risk of its trade receivables. TSASK manages this credit risk through monitoring of credit balances and active collection activity. In the event that an account is deemed uncollectible, the account is written off as bad debt.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. TSASK has no significant exposure to interest rate risk.

LIQUIDITY RISK

Liquidity risk is the risk that TSASK will not be able to meet its financial obligations as they fall due. TSASK's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow generated from operations to fund the operations and settle debt and liabilities when due. TSASK also maintains an operating reserve to mitigate this risk (note 11). Contractual obligations and payments related to financial liabilities as at June 30, 2016, are all expected to be paid by June 30, 2017.

FOREIGN CURRENCY RISK

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. TSASK enters into transactions to receive income denominated in US dollars. TSASK has no significant exposure to foreign currency risk.

14. PENSION PLAN

TSASK participates in the Public Employees Pension Plan (PEPP), a defined contribution pension plan. TSASK's obligations to PEPP are limited to 7.6% of earnings for all employees for current services. During the year, TSASK contributed $440,474 (2015 - $407,804) to PEPP, which is recorded as an expense.

15. TRANSACTIONS WITH GOVERNMENT

TSASK has routine operating transactions with the Government of Saskatchewan which are recorded at the rates charged by the Government of Saskatchewan and are settled on normal trade terms. Included in expenses are transactions with the Government of Saskatchewan amounting to $345,653 (2015 - $774,096) of which $31,011 (2015 – $64,277) was payable at June 30, 2016.

Annual Report 2016

Technical Safety Authority of Saskatchewan

Address
Regina:
2202 2nd Ave
S4R 1K3

Saskatoon:
#101 - 1359 Fletcher Rd.
S7M 5H5

Phone & Fax
Phone: (306) 798-7111
(306) 798-7112
Toll Free: (866) 530-8599

Fax: (306) 787-9273
Toll Free: (866) 760-9255

Online
Email: info@tsask.ca

Website: www.tsask.ca